

Senate Ways and Means Committee

Sonja Caldwell 271-2117

SB 16, reauthorizing the commission to study apportionment of gross business profits under RSA 77-A and the committee to study the process by which business names are authorized by the secretary of state.

Hearing Date: January 11, 2017

Members of the Committee Present: Senators Sanborn, Daniels and D'Allesandro

Members of the Committee Absent: Senators Giuda and Feltes

Bill Analysis: This bill reauthorizes the commission to study apportionment of gross business profits under RSA 77-A and the committee to study the process by which business names are authorized by the secretary of state.

Sponsors:

Sen. Birdsell

Sen. D'Allesandro

Rep. Major

Rep. Abrami

Rep. Lovejoy

Who supports the bill: Carollynn Ward/Kerrin Rounds (DRA), Sen. Birdsell, Teresa Rosenberger (NH Society of CPAs)

Who opposes the bill: No one

Who is neutral on the bill: No one

Summary of testimony presented:

Sen. Birdsell stated that this bill reauthorizes the commission to study sales apportionment. Sales apportionment is a comprehensive subject and they need more time to study the issue. This issue was brought to her attention by a constituent who got notice from the State of Maine that he owed them back taxes. He's a food broker and his business is in Windham, NH. He brokered a deal between a cheese manufacturer and Hannafords in Maine. Maine passed sales apportionment in 2007 and as a result, said he owed them \$40,000 back taxes because there was a portion of the service he rendered to Hannaford in Maine. Massachusetts passed a similar bill. This only affects service industries; not products. NH's service industries are paying their full BPT and BET and now they are getting hit with taxes from other states. This bill lets us study the issue. This will impact our ability to attract service industries to NH. We need to see what options we have to help protect NH businesses. They want to start meeting at end of January so she asked the Senate President to fast track this bill.

Sen. Sanborn – stated that he may or may not have a conflict of interest and still wants to participate. He went on to say he saw an attempt by Massachusetts to come up and solicit information from NH businesses to get a list of customers for the purpose of taxing the businesses. He stated that the legislative intent of this commission is to try and find ways to protect NH businesses from double taxation.

Carollynn Ward and Kerrin Rounds – Department of Revenue Administration (DRA) came

forward to answer questions.

Sen. D'Allesandro was on the commission and asked what work has been done for the preparation of the continuation of the study commission.

Ms. Rounds said that Sen. Birdsell asked DRA to do a presentation on the revenue impact. They have been contacting other states and looking at our own information to see what impacts they can come up with.

Sen. D'Allesandro said he thinks the testimony indicated that these changes have taken place recently with regard to apportionment. We used to have a universal noncompetitive situation in New England. He asked what has given rise to the changes that have taken place that have lead us to this point where we believe certain entities in our state are suffering consequences because of changes in other states.

Ms. Rounds said that with the early adopters it's more of a tax policy decision and there can be numerous reasons for the decision. Now it's more of an issue of what other states around you are doing.

Sen. Sanborn said it seems like double taxation to him. He asked for their thoughts on that as well as whether it is discriminatory by treating tax payers differently.

Ms. Rounds answered that constitutionally, it is not double taxation; it's double apportionment. The fairness aspect goes into the idea that there is a category of people selling tangible products vs. those selling a service. She is not sure if there is a constitutional issue there.

Future Action: Ought to Pass

sc

Date Hearing Report completed: January 11, 2017